



DEPARTMENT OF GAME AND INLAND FISHERIES

REPORT ON AUDIT FOR THE YEAR ENDED JUNE 30, 2018

Auditor of Public Accounts
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AUDIT SUMMARY

We have performed an audit of the following cycles at the Department of Game and Inland Fisheries (DGIF) for the fiscal year ended June 30, 2018:

- Payroll
- Capital Assets
- Revenue, including the licensing and registration system
- Prior audit findings as identified in the [Findings Summary](#) in the Appendix

We did not review management's corrective action on prior year findings identified as deferred in the [Findings Summary](#). We will follow up on these findings in a future audit.

Our audit found:

- proper recording and reporting of all transactions, in all material respects, in the Commonwealth's accounting and financial reporting system, the Commonwealth's payroll system, the Commonwealth's fixed asset system, and DGIF's internal fixed asset system, except as noted in the finding entitled "Improve the Tracking and Reporting of Construction in Progress;"
- matters involving internal control and its operation necessary to bring to management's attention pertaining to system access review, employment eligibility, physical inventory of fixed assets, reconciliations of capital assets, and tracking and reporting of construction in progress;
- instances of noncompliance with applicable laws and regulations or other matters pertaining to system access review and employment eligibility that are required to be reported; and
- adequate corrective action with respect to prior audit findings identified as resolved in the [Findings Summary](#).

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AUDIT FINDINGS AND RECOMMENDATIONS

Perform Annual Access Review of the Commonwealth's Attendance and Leave System

Type: Internal Control and Compliance

Repeat: No

Department of Game and Inland Fisheries (DGIF) has not performed an annual access review of the Commonwealth's attendance and leave system in accordance with the Commonwealth's Information Security Standard SEC 501 (Security Standard). Security Standard, Section 8.1 AC-2(j), requires agencies to "review accounts for compliance with account management on an annual basis or more frequently if required to address environmental change."

DGIF does not have a policy to perform an annual review of access to the Commonwealth's attendance and leave system. Not conducting regular access reviews of mission critical systems threatens the integrity of the system and data housed within the system. Unnecessary access to the systems could result in fraudulent compensation and leave information.

DGIF should perform an annual access review of the Commonwealth's attendance and leave system. Furthermore, DGIF should develop and implement a policy to ensure compliance with the Security Standard moving forward.

Improve Employment Eligibility Process

Type: Internal Control and Compliance

Repeat: No

DGIF's Human Resources Department (Human Resources) does not have a sufficient internal controls over the employment eligibility process. Our review of 10 I-9 forms identified the following issues:

- Two employees (20%) did not sign the I-9 form on the first day of employment.
- For two employees (20%) Human Resources did not ensure the completion of the second page of the I-9 form.
- For two of four rehired employees Human Resources did not ensure the completion of all required fields in Section 3.
- For one employee (10%) Human Resource staff did not retain the second page of the I-9 Form.
- Two I-9 forms (20%) were not located in the designated storage place.

The Immigration Reform and Control Act of 1986, requires that all employees hired after November 6, 1986, have a Form I-9 completed to verify both employment eligibility and identity. This requirement ensures that employers hire only individuals who may legally work in the United States.

According to discussions with management, these issues were the result of large hiring classes that require the processing of numerous I-9 forms at once and delegation of the completion of I-9 forms to the applicable hiring managers. Human Resources has experienced considerable turnover and position vacancies over the past few years. Combined with an overall lack of policies and procedures surrounding Human Resources functions, Human Resource staff have been unable to provide adequate oversight over the employment eligibility process or consistently retain the required documentation in a way that makes it readily available for inspection by authorized government officers.

Human Resources should develop and implement policies and procedures surrounding the employment eligibility process, including I-9 form completion, review, and retainage. In addition, Human Resources should perform a thorough review of all completed eligibility forms and ensure that hiring managers and new employees have adequately completed the forms. Finally, Human Resources should develop and adhere to a process of retaining the required documentation necessary to comply with the applicable federal and Commonwealth requirements in a way that makes the documentation readily available for inspection.

Improve Completion and Performance of Physical Inventories

Type: Internal Control

Repeat: Yes (first issued in fiscal year 2014)

Prior Title: Improve Procedures over Physical Inventory

The Fixed Asset Accountant has not performed a complete physical inventory of DGIF's fixed assets or fully updated the DGIF Asset Management System (AMS) with the results of the inventories performed since 2016. DGIF does not have adequately documented policies and procedures over the performance of physical inventory of fixed assets or a well-developed schedule for performing inventories. As a result, some area's inventories were incomplete, performed twice, or missed entirely during the two-year period.

The Fixed Asset Accountant was unable to complete the physical inventory, as she is solely responsible for performing physical inventories of all equipment, fixed and controlled, in nine areas across the state (headquarters and four regions, each comprised of both Law and Bureau). This includes reviewing nearly ten thousand assets valued at over \$39 million. She also has other job responsibilities to complete throughout the year.

DGIF's Internal Asset Management Control Policies and Procedures, as well as the Commonwealth's Accounting Policies and Procedures (CAPP) Manual, state that a physical inventory of fixed assets is required at least once every two years. Further, the CAPP Manual states that the agency should update the asset management system with items found to be unrecorded or that do not physically exist and/or any changes to individuals charged with the property management function. The objectives of a physical inventory are to ensure that the capital assets recorded in AMS physically exist;

determine if unrecorded or improperly recorded transactions have occurred; and identify any excess, defective, or obsolete assets on hand. An effective inventory results in an accurate accounting of capital assets, and indicates the reliability of the system of accountability for the acquisition, use, and disposal of those assets.

The Fixed Asset Accountant should develop and implement comprehensive procedures, including a detailed schedule for ensuring completion within a two-year period, for performing the biennial fixed assets physical inventory. Further, given that the completion of physical inventory over capital assets has been an ongoing issue, DGIF management should consider alternate processes to ensure performance of a complete and timely inventory.

Improve Policies Surrounding Reconciliations of Capital Assets

Type: Internal Control

Repeat: No

DGIF has not documented reconciliation policies and procedures that ensure the Fixed Asset Accountant maintains adequate internal controls over the reconciliation process. Current policies and procedures do not address the requirement for the preparer and reviewer to sign off and date reconciliations when they are complete, the requirement of a supervisor to review reconciliations, or the timing of when to correct reconciling items. As a result, the auditor noted in 3 out of 3 reconciliations between AMS and the Commonwealth's accounting and financial reporting system and in 4 out of 4 reconciliations between DGIF's Construction in Progress (CIP) spreadsheet to the FACS751 report (obtained from the Commonwealth's fixed asset system), the Fixed Asset Accountant did not include documentation of the following:

- When the reconciliation was performed;
- When the reconciliation was reviewed by management; and
- When reconciling items were resolved.

CAPP Manual Topic 30905 states that agencies should perform capital asset reconciliations monthly and CIP spreadsheet reconciliations quarterly; ensure a responsible agency management employee reviews the reconciliations for accuracy; and correct all identified errors timely. Further, the topic states that each agency should ensure that the reconciliation and error correction processes are well documented and reviewed periodically by senior management.

DGIF should develop and implement detailed written policies and procedures to ensure reconciliations performed around capital assets have the necessary internal controls.

Improve the Tracking and Reporting of Construction in Progress

Type: Internal Control

Repeat: Yes (first issued in 2015)

Prior Title: Improve Procedures over Construction in Progress

DGIF is not maintaining sufficient internal documentation to support changes made to CIP balances in accordance with CAPP Manual Topic 30310. As a result, DGIF reported CIP amounts on the Department of Accounts Attachment 14 submission for fiscal year 2018 that were materially incorrect. Upon review of the submitted Attachment 14 and the documentation used to complete it:

- There were two of 16 invoices relating to projects that were inconsistently documented across spreadsheets; therefore, the Fixed Asset Accountant may not know when to move the invoices out of CIP.
- There were 11 of 16 invoices where the invoice paid date did not match the financial system, which could result in the invoice being recorded in CIP in the wrong fiscal year.
- There were numerous instances where the Fixed Asset Accountant did not record CIP expenditures on the CIP spreadsheet.
- There was a \$1.4 million project that DGIF cancelled during fiscal year 2017 that remained on the CIP spreadsheet, inflating the CIP balance and understating fiscal year 2017 expenses.
- The Fixed Asset Accountant is not consistently recording the asset category for closed capitalized projects.

CAPP Manual topic 30310 requires agencies to maintain sufficient documentation to support changes made to CIP balances. Specifically, the CAPP Manual requires that the agency CIP spreadsheet include documentation of invoice paid date and asset category, along with other elements. In addition, for each reclassification from CIP, the CAPP Manual requires agencies to document the amount of decrease in CIP, date of decrease in CIP, asset category of offsetting increase (e.g., building), and offsetting increases charged to expense.

DGIF does not have an adequate process in place to communicate the progress of capital outlay projects between the Director of Capital Planning & Facilities Management and the Fixed Asset Accountant, including when projects are completed. Currently, DGIF uses two spreadsheets to document the various elements of the CIP projects for tracking purposes; however, due to staffing issues and changes in responsibilities, one of the spreadsheets is unreliable. As a result, the Fixed Asset Accountant began using a report from the Commonwealth's accounting and financial reporting system detailing all current year expense activity for active projects to compile her CIP spreadsheet; however, she does not compare this report against any other construction project information.

DGIF should enhance their internal documentation supporting changes made to CIP balances in accordance with CAPP Manual Topic 30310. First, the Director of Capital Planning & Facilities Management should improve the process of communicating the progress of capital outlay projects with the Fixed Asset Accountant. In addition, the Fixed Asset Accountant should reconcile the CIP spreadsheet with the construction project information maintained by the Capital Outlay Department. Finally, DGIF should begin keeping track of the invoice paid date and asset category for each project within the CIP spreadsheet.

AUDIT SCOPE OVERVIEW

DGIF manages Virginia's wildlife and inland fish to maintain optimum populations of all species; provides opportunity for all to enjoy wildlife, inland fish, boating, and other outdoor recreation; promotes safety for persons and property in connection with boating, hunting, and fishing; and provides educational outreach programs and materials to foster an awareness of and appreciation for Virginia's fish and wildlife resources, their habitats, and hunting, fishing, and boating opportunities. DGIF also enforces laws for the protection, propagation, and preservation of wildlife and fish and assists in enforcing all forestry and boating laws.

DGIF relies primarily on its own revenues to support its expenses, which makes controls surrounding their revenue cycle critical to the agency's mission. Of the revenues received by DGIF, more than 40 percent flow through an external licensing and registration system that is managed by an outside party. To ensure revenues are being properly recorded and designated for the appropriate program we included controls over revenues, including the licensing and registration system, as one of the objectives for this audit. The table below provides a breakdown of DGIF's revenues for fiscal year 2018.

Revenues and General Fund Transfers

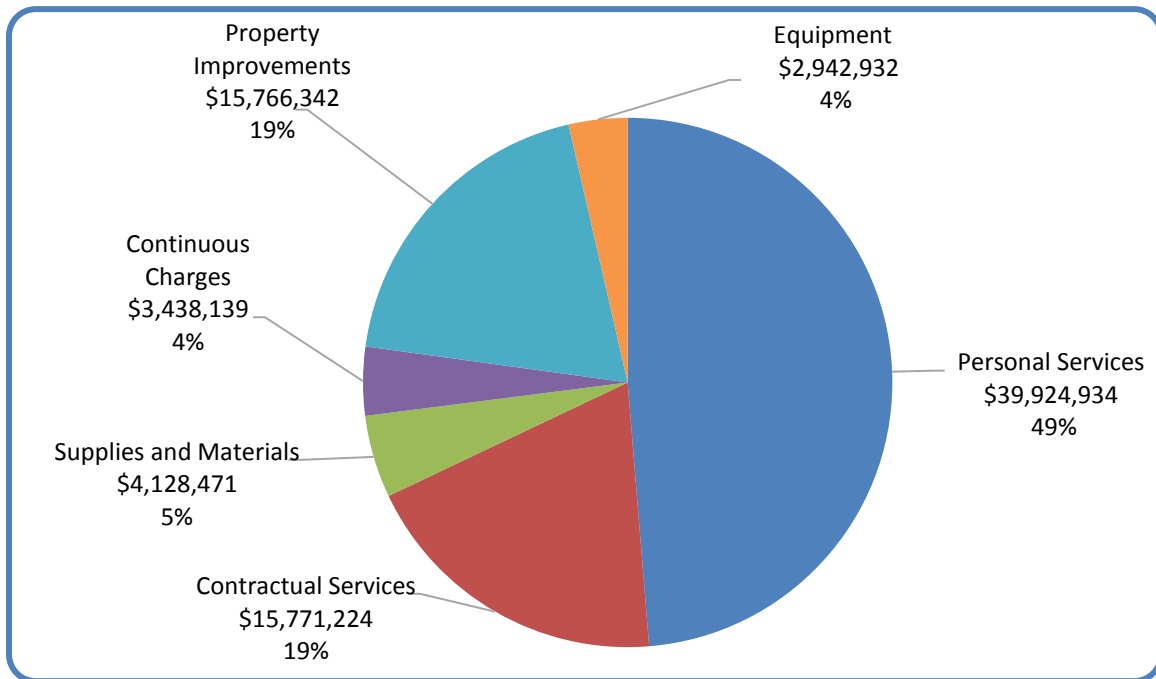
	Fiscal Year 2018
Hunting and Fishing Licenses	\$23,037,062
Federal Grants and Contracts	27,507,772
Net Transfers to the Game Protection Fund from the General Fund	16,299,564
Boat Licenses and Watercraft Titling Fees	2,922,589
Other (including interest, timber sales, publication sales, and donations)	9,867,084
Total Revenues and Transfers	\$79,634,071

Source: Commonwealth's accounting and financial reporting system

DGIF's primary source of revenue comes from the sale of hunting and fishing licenses, boat registrations, and watercraft titling fees, which total \$26,349,828 million, or 33 percent of the total revenues. DGIF collects saltwater fishing license revenue for Marine Resources, state forest hunting license revenues for Forestry, and boat trailer registration fees for the Department of Motor Vehicles. In addition, DGIF collects watercraft sales tax revenue for Taxation, donations for Hunters for the Hungry, and Federal Duck Stamps. DGIF transfers revenues collected on behalf of these agencies to the applicable agencies in the month following collection. This process was reviewed as part of this audit.

The chart on the following page provides a breakdown of DGIF's operating and capital expenses for all funds for fiscal year 2018.

Fiscal Year 2018 Expenses by Type



Source: Commonwealth's accounting and financial reporting system

Personnel services are DGIF's largest expense type, which were included as one of our audit objectives this year. DGIF uses the payroll services bureau to process its payroll; consequently, we limited our review of the payroll cycle to agency level controls. We also included a review to ensure compliance with federal and state employment eligibility regulations.

An additional objective included during this audit was to ensure that DGIF is maintaining adequate controls over capital asset management. DGIF has current assets consisting of buildings, equipment, infrastructure, and land totaling \$198,262,504. Our review of capital asset management included a review of physical inventory, reconciliations performed between DGIF records and commonwealth systems, depreciation recalculation, additions, and capital outlay.



Martha S. Mavredes, CPA
Auditor of Public Accounts

Commonwealth of Virginia

Auditor of Public Accounts

P.O. Box 1295
Richmond, Virginia 23218

July 17, 2019

The Honorable Ralph S. Northam
Governor of Virginia

The Honorable Thomas K. Norment, Jr.
Chairman, Joint Legislative Audit
and Review Commission

We have audited the payroll, capital assets, and revenue cycles of the **Department of Game and Inland Fisheries** (DGIF) for the year ended June 30, 2018. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Audit Scope and Objectives

Our audit's primary objectives were to audit the payroll, capital assets, and revenue internal control cycles. In support of these objectives, we evaluated the accuracy of transactions as recorded in the Commonwealth's accounting and financial reporting system, the Commonwealth's payroll system, the Commonwealth's fixed asset system, and DGIF's internal fixed asset system, reviewed the adequacy of the DGIF's internal controls, tested compliance with applicable laws, regulations, contracts, and grant agreements as they related to our audit objectives. We also reviewed corrective actions for select audit findings from prior year reports. See the Findings Summary included in the Appendix for a listing of prior year findings and the status of follow-up on management's corrective action. We will follow up on findings not reviewed in a future audit.

Audit Scope and Methodology

DGIF's management has responsibility for establishing and maintaining internal control and complying with applicable laws, regulations, contracts and grant agreements. Internal control is a process designed to provide reasonable, but not absolute, assurance regarding the reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws, regulations, contracts, and grant agreements.

We gained an understanding of the overall internal controls, both automated and manual, as they relate to the audit objectives, sufficient to plan the audit. We considered significance and risk in determining the nature and extent of our audit procedures. We performed audit tests to determine whether DGIF's controls were adequate, had been placed in operation, and were being followed. Our audit also included tests of compliance with provisions of applicable laws, regulations, contracts, and grant agreements as they pertain to our audit objectives.

Our audit procedures included inquiries of appropriate personnel, inspection of documents, records, and contracts, and observation of DGIF's operations. We performed analytical procedures, including budgetary and trend analyses. We also tested details of transactions to achieve our objectives.

A nonstatistical sampling approach was used. Our samples were designed to support conclusions about our audit objectives. An appropriate sampling methodology was used to ensure the samples selected were representative of the population and provided sufficient, appropriate evidence. We identified specific attributes for testing each of the samples and when appropriate, we projected our results to the population.

Conclusions

We found that DGIF properly stated, in all material respects, transactions recorded and reported in the Commonwealth's accounting and financial reporting system, the Commonwealth's payroll system, the Commonwealth's fixed asset system, and DGIF's internal fixed asset system, relating to the audit objectives, except as noted in the finding entitled "Improve the Tracking and Reporting of Construction in Progress."

We noted certain matters pertaining to system access review, employment eligibility, physical inventory of fixed assets, reconciliations of capital assets, and tracking and reporting of construction in progress involving internal control and its operation and compliance with applicable laws, regulations, contracts and grant agreements that require management's attention and corrective action. These matters are described in the section entitled "Audit Findings and Recommendations."

The agency has taken adequate corrective action with respect to select audit findings reported in the prior year that are listed as resolved in the Findings Summary in the Appendix.

Exit Conference and Report Distribution

We discussed this report with management on July 24, 2019. Management's response to the findings identified in our audit is included in the section titled "Agency Response." We did not audit management's response and, accordingly, we express no opinion on it.

This report is intended for the information and use of the Governor and General Assembly, management, and the citizens of the Commonwealth of Virginia and is a public record.

AUDITOR OF PUBLIC ACCOUNTS

AVC/clj

FINDINGS SUMMARY

Finding	Follow Up Status	Year(s) Issued
Improve Procedures over Entry and Approval of Journal Entries	Resolved*	2016
Improve Reconciliation Procedures	Resolved*	2015 2016
Improve Controls Over Financial Reporting	Resolved*	2016
Improve the License Revenue Reconciliation Process	Resolved*	2017
Improve Logical Access Controls	Resolved*	2017
Improve Completion and Performance of Physical Inventories	Repeat**	2014 2015 2016 2018
Improve the Tracking and Reporting of Construction in Progress	Repeat**	2015 2016 2018
Perform Annual Access Review of the Commonwealth's Attendance and Leave System	New	2018
Improve Employment Eligibility Process	New	2018
Improve Policies Surrounding Reconciliations of Capital Assets	New	2018
Improve Procedures Over Monthly Commonwealth Retirement System Reconciliations	Deferred***	2014 2015 2016
Perform Adequate Payroll Certification Procedures	Deferred***	2015 2016
Improve Contract Procurement and Contract Management Procedures	Deferred***	2016
Improve Quarterly Access Review of the Commonwealth's Purchasing System	Deferred***	2017
Improve Controls Surrounding the SPCC Program	Deferred***	2017
Enforce Timeliness of Employee Travel Reimbursement Requests	Deferred***	2017
Improve Budget Development and Management Process	Deferred***	2017

* Finding relates to an obsolete accounting system. Status identified as "Resolved" indicates review of similar controls as they relate to the replacement accounting system.

**Follow-up Status on prior year findings identified as "Repeat" indicates management's corrective action on a prior recommendation is not complete; therefore, the prior year finding has been fully or partially repeated.

***Follow-up Status on prior year findings identified as "Deferred" indicates review of management's corrective action on a prior year finding will be performed in a future audit.



Matthew J. Strickler
Secretary of Natural Resources

COMMONWEALTH of VIRGINIA
Department of Game and Inland Fisheries

Ryan J. Brown
Executive Director

July 25, 2019

Martha Mavredes
The Auditor of Public Accounts
P. O. Box 1295
Richmond, Virginia 23218

Dear Ms. Mavredes:

Thank you for affording us the opportunity to review the findings and recommendations made during the Auditor of Public Accounts (APA) audit of our financial transactions for fiscal year ending June 30, 2018. The Department of Game and Inland Fisheries (DGIF) agrees with the observations and concurs with the recommendations that have been made by APA in this report.

We continue to believe that DGIF has made significant progress to correct prior year issues and are well positioned to implement all of your office's recommendations this year. In fact, with some recommendations, DGIF had already initiated corrective actions in advance of this year's review. This level of self-evaluation and preparedness on the part of our staff is testament to your office's support over the past few years.

DGIF takes pride in the fact that improvements are taking place, and this is reflective of our employees' professionalism and pride in how we manage our financial and other administrative responsibilities. DGIF will continue to focus on improvement opportunities, to include areas of training, communications, staffing, and accountability, to ensure we strive for the highest standard of financial operations in our department.

We look forward to working with your staff to promptly address all recommendations as part of our ongoing Corrective Action Work Plans. I would like to also thank you for the level of support and professionalism your staff showed during the audit, and look forward to this same type of working relationship in the future.

Sincerely,

A handwritten signature in blue ink, appearing to read "RJB", written over a light blue horizontal line.

Ryan J. Brown
Executive Director

RJB/DKM/

C: Dr. Mamie Parker, Chair, DGIF Board
John Daniel, Vice Chair, DGIF Board
April V. Cassada, CPA.CITP, CISA, Director of Data Analysis, APA

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Equal Opportunity Employment, Programs and Facilities

DEPARTMENT OF GAME AND INLAND FISHERIES

(as of June 30, 2018)

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